I. CALL TO ORDER
The regular meeting of the Board of Trustees was called to order at 1:37 p.m. by Trustee Dean Hirata, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Thursday, August 2, 2012.

Chairperson Hirata announced that Deputy Attorney General Diane Erickson is representing the Attorney General’s office today.

MOTION was made for the Board to approve to amend the agenda to move/add agenda item V.B. Request for Proposal (RFP) for Insurance Broker Services and agenda item V.D. Request to Consider Reimbursing Employee for their Premium for Another Group Plan if EUTF Coverage is Waived to Executive Session. (Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)
II. MINUTES
   A. March 1, 2012
      The Board reviewed the draft minutes of March 1, 2012. The minutes will be amended as follows: (1) page 1, line 9, add “(left 10:40 am)”. 

      MOTION was made for the Board to approve the minutes of March 1, 2012 as amended. (Mossman/Krieg) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

   B. March 13, 2012
      The Board reviewed the draft minutes of March 13, 2012. The minutes will be amended as follows: (1) page 3, line 17, delete “that is going around that the Board is not aware of” and after legislation add “is introduced to work around that, and that the Board is not aware of what is being introduced in a timely matter.”; and (2) page 5, line 4, delete “May” and add “next”.

      On page 8, line 16, agenda item V.C. HSTA VB Members Switching Back and Forth Between Plans was deferred due to lack of quorum. Trustee Mossman requested that this item be on agenda for the next Board meeting. Discussion held by Trustees, staff and benefits consultant that the date, January 1, 2014, on page 6, line 36 is correct.

      MOTION was made for the Board to approve the minutes of March 13, 2012 as amended. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

   C. March 29, 2012
      The Board reviewed the draft minutes of March 29, 2012.

      MOTION was made for the Board to approve the minutes of March 29, 2012 as circulated. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

      Trustee Mossman requested that the EUTF staff follow-up on the status of adjusting rates with HMSA HSTA VB supplemental plan change effective July 1, 2012.

   D. July 10, 2012
      The minutes of July 10, 2012 is still being reviewed by the Administrator and Deputy Attorney General.

      There being no objections by the Trustees, the minutes of July 10, 2012 is deferred until the next Board meeting.

III. REPORTS
   A. Administrator
1. CVS Caremark/SilverScript Transition Status and Issues
   Overview by Ms. Barbara Coriell regarding CVS Caremark/SilverScript transition status and issues (see Administrator’s report). Discussion held by Trustees and staff regarding the coordination of benefits, eligibility file communication, and prescription drug copay amounts that the EUTF and prescription drug vendors are still working on solving, that the actives and Medicare retirees have different prescription drug formularies which do not have to be identical, concerns expressed by Trustees on why CVS Caremark was not prepared to handle these issues and if it was not clear in the Request for Proposal it should be in the future. CVS Caremark should have been prepared but was not, the eligibility file issue should have been addressed during the implementation period. Ms. Coriell has reached the Vice President of CVS Caremark that is in charge of public business. The EUTF staff will be reviewing the implementation credits that have dollars attached to CVS Caremark’s level of performance relative to the experiences EUTF is having. Discussion held by Trustees and staff regarding these outstanding issues, how it is being resolved now, and a commitment from CVS when these issues will be resolved. Ms. Coriell stated that CVS Caremark has acknowledged these issues and will be covering 834 file charges by way of the implementation credit. Discussion held by Trustees and staff regarding a complete list that needs to be addressed in the 834 file layout from CVS Caremark and SilverScript. Trustee Hidano expressed her concern that these issues should have been addressed before the contract was executed and that the Trustees should be informed earlier. Trustee Mossman stated she agrees and had some personal challenges with the prescription drug changes. Discussion held by Trustees and staff regarding a complete list that needs to be addressed in the 834 file layout from CVS Caremark and SilverScript. Chair Hirata requested that the EUTF administrator have all issues, costs, resolutions and timeframe to resolve issues documented in writing.

2. Legislative Bills Related to EUTF
   Overview by Ms. Barbara Coriell regarding legislative bills related to EUTF (see Administrator’s report). Discussion held by Trustees and staff regarding which committee will have oversight for the OPEB Trust. In regards to Act 38, that changes the Base Monthly Contribution (BMC), Ms. Coriell stated that the EUTF may not know what the change in the Medicare Part B premium will be until after the Retiree Guide goes to press. In the Retiree Guide for open enrollment, the EUTF will print the 100% rate, send a mailer or postcard to retirees that pay part of the premium with the calculated BMC, and post it on the EUTF website. Discussion held by Trustees and staff regarding the use of purchasing power with Medicaid. Since the pool is quite different, the Board will need to address this in the future. Ms. Coriell stated that the EUTF and Medicaid are two different pools and population with different needs and funding.
3. Other Post Employment Benefits (OPEB) Actuarial Employer Draft Presentation Meeting
Ms. Coriell reported that Brad Au from Aon will do a presentation on the final OPEB report at the August 28, 2012 Board meeting (see Administrator’s report). A copy of the EUTF investment strategy by PCA will be provided to the Board at the next Board meeting.

4. EUTF Office Staff Status Regarding Hawaii Government Employee Association (HGEA) Most Favored Nation Adjustment Overview by Ms. Barbara Coriell regarding HGEA most favored nation adjustment (see Administrator’s report). Ms. Coriell stated, as discussed with Ms. Sandi Yahiro, regardless of where the EUTF stands with the collective bargaining arrangement, because there is an offset of additional time-off, in a year the EUTF is losing approximately 5,000 hours in productive time. Discussion held by Trustees and staff regarding the reason the EUTF is not exempt is because 50% of the Administrative fees is paid by the Employer with general funds. The difference is that the Administrative fees stay in the EUTF account and does not go back to the Employer. Further discussion by Trustees and staff that reserves can be used to keep premiums down in the future. Ms. Coriell stated now that the EUTF has a clear picture of the reserves, the Board will need to review and address. Discussion held by Trustees and staff if reserves can be used toward the unfunded liability. Ms. Coriell stated in discussion with Mr. Tom Morrison, his position is technically no because the EUTF, per statute, is an irrevocable trust. If the EUTF were to transfer funds from the EUTF into the OPEB funds, that would be pulling money out and replacing a pre-payment of employer premium. Discussion by Trustees and staff on how the EUTF is doing in filling vacancies. The EUTF staff will submit a report to the Board on all vacancies. Trustee Mossman requested that the EUTF provide a report on the balance of Administrative fees and the impact it would have. Ms. Coriell stated that the EUTF is not spending the full fee that the EUTF is receiving now and has enough to cover the 5% reduction. Trustee Mossman stated she does not have a problem in doing this as long as she knows the financial burden including filling all vacancies. Discussion held by Trustees and staff that it is not the Board’s decision but a request can be submitted to the parties to reconsider their position. Trustee Krieg stated she does not have the confidence that this would go anywhere and agrees that she rather see people on the job than have additional time off.

B. EUTF Managers’ Operational Reports
Chair Hirata requested that the managers highlight any areas of significance in their Operation reports. Chair Hirata stated that in future Board meetings, he will only ask the Board if they have any questions instead of having managers give highlights.

1. Member Services Branch (MSB)
The MSB Operations report was distributed to the Trustees today.

a. Data Update
b. Administrative Appeals Update
c. Staffing Level Update
   Ms. Nicole Wong reported that MSB has 9 vacancies, total of 27 if fully staffed. The last 5 months have been challenging with the transition to CVS Caremark and SilverScript as well as data clean-up (see MSB Operations report).

2. Information Technology (IT)
   The IT Operations report was in the Board packet (see IT Operations report).
   a. Vitech Systems Group, Inc. – V3 Benefits Administration System (BAS)
   b. Prescription Drug Transition – Active Employees, Non-Medicare Retirees
   c. Prescription Drug Transition – Medicare Retirees
   d. W2 Employer/Employee Contributions’ Reporting
   e. HGEA Most Favored Nation Refund Project
      Overview by Ms. Barbara Coriell regarding the HGEA most favored nation refund project. The information that is needed is housed at the EUTF. The EUTF staff is working on generating the spreadsheet that outlines the dollar amount for each person. Ms. Coriell’s concern is if a check is just given to employees they are going to call to ask the EUTF how they came up with that figure and the MSB staff would not be able to handle more phone calls. An agreement has been reached that each department will field questions by their own employees but will need the data base from the EUTF. Discussion held by Trustees and staff that at this point because the EUTF is not using the Vitech system there is no additional cost. It is only costing EUTF staff time. Ms. Coriell clarified that the employer is cutting the check for the refund; the EUTF would just be submitting the data.
   f. Health Insurance Portability and Accountability Act (HIPAA) Security
      Overview by Ms. Kathleen Shiroma regarding HIPAA Security (see IT Operations report). Discussion held by Trustees and staff that the goal is to implement the Self-Service modules.
   g. Office of Information Management & Technology (OIMT) – Enterprise Architect Questionnaire
   h. Macias Gini & General Controls Review
   i. Enrollment Counts

3. Accounting
   The Accounting Operations report was in the Board packet (see Accounting Operations report).
   a. Actuarial Valuation Report
   b. Bank of Hawaii
      Trustee Hidano stated, according to the March Board minutes, the EUTF staff committed that through September, the Bank of Hawaii (BOH) project would
be implemented. At this time, the project will not be completed by September. Trustee Hidano expressed her concern that out of a 3 year contract, 2 years has already gone by. Ms. Donna Tonaki reported that the lockbox service was implemented. The EUTF staff is working with Vitech and BOH to implement the ACH direct deposit and quarterly check writing on the Medicare Part B reimbursement. The last phase is the check disbursement cut to vendors which should be implemented by the end of December 2012.

Discussion held by Trustees and staff regarding BOH contract ending in one year and what options does the Board have, current procedures with DAGS, what would be anticipated costs savings, current priority projects that the EUTF has in addition to the BOH project. Ms. Coriell shares the Board’s frustration and stated that all the projects are systems related. The EUTF staff are still working on projects that should have been resolved years ago.

Trustee Hidano restated her concerns that she has expressed through the year regarding the transition and implementation of the BOH project that has taken two years and is still not done and does not understand, overall, why projects are not being completed. Discussion held by Trustees and staff regarding when the BOH contract ends and options the Board has now. Trustee Mossman stated that the EUTF needs to move forward but the Board has a responsibility and would like a progress report that includes the anticipated savings and what direction the Board needs to take in regards to the BOH project and contract. The EUTF needs to be proactive in reviewing the contracts now, planning what needs to be done so the Board is not faced with making rush decisions at the last minute. The EUTF staff will provide a list of all major contracts to the Board to include cost, term of contract and terms of renewals. Chair Hirata stated that the Board is looking for certain commitments, projects and contracts that are approved so when projects do not go as planned, the Board can learn and figure out what needs to be done, what went wrong and why it took longer than anticipated.

Ms. Sandi Yahiro reported that the BOH contract was signed effective February 23, 2011. The initial period is for two years and there are an additional two two year possible extensions. It could go for a total of six years. It is at the Board’s option to extend the contract. Discussion held by Trustees regarding if the costs remains the same. The EUTF staff will provide an update at the next Board meeting.

c. Financial Audit for FY 2012

d. Personnel for Accounting

Ms. Donna Tonaki reported that currently the Accounting branch has one vacancy (see Accounting Operations report).


Overview by Ms. Tonaki regarding the financial statements as of May 31, 2012. Discussion held by Trustees and staff regarding a letter sent on
July 25, 2012 to informedRx requesting the return of a $9.4 million claim reserve. As of today, the EUTF has not heard from informedRx. The EUTF will follow-up with informedRx tomorrow. Chair Hirata stated that the Board needs to review and feedback from the Investment Consultant on keeping cash for the short term investments. Ms. Tonaki stated that this will be addressed at the next Investment Committee meeting. Discussion held by Trustees and staff regarding the IBNR liability for self-funded plans, how much should be kept and when it can be taken out. Segal will be addressing the IBNR as of June 30, 2012 under their report today. Ms. Tonaki stated on page 2 of the Combined Statement of Revenues and Expenses, line 29 “Consultant Services” should be $569,000 and line 32 “Computer System Hardware & Software Maintenance should be $1,289,000  Next month’s financial will reflect the correction. Discussion held by Trustees and staff regarding the Administrative fees. The Administrative fees are $556,000 more than budgeted. In regards to Trustee Mossman comment on the minutes regarding HMSA HSTA VB supplemental plan, Ms. Tonaki stated that the EUTF did receive a check from HMSA for $44,462. Discussion held regarding the ERRP reimbursements. The EUTF staff will print future financial statements single-sided.

C. Deputy Attorney General’s Report
      Overview by Ms. Diane Erickson regarding Act 202 that allows for meetings by telephone conference under certain circumstances. The notice of the meeting must identify all the locations where the participating Board members are going to be and members of the public need to be told they may sit in where the Board members are. If visual aids are required or brought by members of the public or for Board members for members, they must be available at all locations. The agenda items cannot be acted upon unless the visual aids are provided at every location. Further discussion held by Trustees, staff, and deputy attorney general that meeting locations can be held anywhere as long as the public has access and if discussions can be held if the Board loses quorum. Ms. Erickson stated that questions can be asked but deliberations cannot be held and testimonies can be submitted.

D. Segal – Benefits Consultant Report
   1. Carrier Financials Year to Date on New Contracts
      Overview by Mr. Robert Mitchell regarding the carrier financials year to date (see report). Updates will be submitted every quarter. Trustees can let Segal know if they have any questions or format changes. Discussion held by Trustees, staff and benefits consultant regarding members over 65 and providing comparisons of changes made.
2. Comparative Effectiveness Fees
   Overview by Mr. Mitchell regarding the Comparative Effectiveness Fees for the Affordable Care Act (see report). There being no objections by the Trustees, this item will remain on the agenda for the next Board meeting for discussion.

3. 2013 Minimums and Maximums for Health Savings Accounts (HSA) and High-Deductible Health Plans (HDHP)
   Overview by Mr. Mitchell regarding the 2013 Minimum and Maximums for HSA and HDHP (see report).

   Overview by Mr. Mitchell regarding the IBNR as of June 30, 2012. Segal recommends that the Board approve the IBNR as of June 30, 2012 for the amount of $13,698,400.

   MOTION was made for the Board to approve the IBNR as of June 30, 2012 for the amount of $13,698,400 as recommended by the Benefits Consultant. (Krieg/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

E. Carrier Reports
   1. CVS Caremark
      No written report submitted. Ms. Barbara Coriell introduced Sandra Benevides who is the new Account Executive for CVS Caremark.
   2. SilverScript
      No written report submitted.
   3. Hawaii Dental Service (HDS)
      Written reports submitted by HDS.
   4. Hawaii Medical Service Association (HMSA)
      Written reports submitted by HMSA.
   5. Kaiser Health Foundation
      Written reports submitted by Kaiser. Ms. Coriell introduced Troy Tomita who is the Account Executive for Kaiser.
   6. Royal State Insurance
      Written reports submitted by Royal State.
   7. Vision Service Plan (VSP)
      Written report submitted by VSP.

IV. OLD BUSINESS
   A. New Administrative, Benefits, Investment Committee Members
      A list of new Administrative; Benefits; and Investment Committee members was in the Board’s packet. Discussion held by Trustees and staff soliciting new members for the Investment Committee. Trustees Mossman and Nip have volunteered to serve on the Investment Committee.
MOTION was made for the Board to approve the slate of members for the Administrative; Benefits; and Investment Committees as amended. (Krieg/Hidano) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

B. Early Retiree Reinsurance Program (ERRP) Current Summary Report
Ms. Bonny Kahalewai summarized her report on the ERRP and clarified that ERRP ends January 1, 2014. Discussion held by Trustees and staff that the EUTF does having pending reimbursements. Trustee Mossman thanked Trustee Hidano for keeping moving the ERRP project. Trustee Hidano thanked the EUTF staff.

C. Update on Two Medicare Part B Projects
   1. Death Validation Project
      Overview by Ms. Sandi Yahiro regarding the death validation project. The EUTF and Deputy Attorney General Diane Erickson and Kyle Chang are diligently working with DOH to move forward on this project. All parties are working on a resolution and hopefully can put it in place soon.

   2. Retirees Not Enrolled in Medicare Part B
      Overview by Ms. Yahiro regarding retirees not enrolled in Medicare Part B. Approximately 500 retirees have not responded to a final letter that was sent on July 13, 2012. The deadline for appeals is August 15, 2012. Ms. Kahalewai reported that 555 letter were sent to retirees and 35 to foreign countries. To date the EUTF has received 22 appeals in which most stated they did not understand or know to enroll in Medicare Part B. The EUTF has received 230 return receipts and 8 that were undeliverable. Discussion held by Trustees and staff regarding retirees that may be deceased and the EUTF could check the utilization. Ms. Yahiro stated that the EUTF requested for information and Kaiser has given the EUTF some information and HMSA is working on it.

V. NEW BUSINESS
A. Retiree Open Enrollment Dates
   Ms. Barbara Coriell recommends that the Board approve the retiree open enrollments dates of October 22, 2012 to November 13, 2012. The EUTF is working on revising the Retiree Reference Guide and open enrollment sessions.

   MOTION was made for the Board to approve the retiree open enrollments dates of October 22, 2012 to November 13, 2012 as recommended by the administrator. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Recessed at 3:55 p.m. and Reconvened at 4:00 p.m.
B. Request for Proposal (RFP) for Insurance Broker Services
This item has been amended to address in Executive Session.

C. Reconsideration of Retiree Medical/Rx Coverage – Dependent Age 26
Ms. Barbara Coriell recommends that this item be deferred until after the Benefits Committee has the opportunity to review and study. Discussion held by Trustees and staff regarding if information was requested from the vendors and that the EUTF does not have any data at this time and if the Board decides to approve it would be in time for the Retirees Open Enrollment. Ms. Coriell stated that the Board has time because information will not be sent until October and can be addressed at the August 28, 2012 Board meeting.

There being no objections from the Trustees, this item is deferred until the next Board meeting.

D. Request to Consider Reimbursing Employee for their Premium for Another Group Plan if EUTF Coverage is Waived

This item has been amended to address in Executive Session.

E. OPEB Liability Review
Ms. Barbara Coriell stated that Trustee Salaveria requested this item be on the agenda and recommends that this item be deferred until the next Board meeting.
Mr. Brad Au from Aon will do a presentation on OPEB at the next Board meeting.

There being no objections from the Trustees, this item is deferred until the next Board meeting.

F. Health Care Reform Federal Legislation Update
Ms. Barbara Coriell reported that there are several items in the Affordable Care Act that will be very significant for the EUTF as of 2014 and has an impact on employer contributions, the EUTF relationship with the Health Care Exchange, and a number of State agencies. At the August 28, 2012 Board meeting, the benefits consultant will have a presentation to go over all of the specifics on the changes. The EUTF would like to invite any agency that is impacted to join us at this meeting and may need to meet at a different venue. Discussion held by Trustees and staff on how agencies will know. Ms. Coriell stated that the EUTF will be notifying and inviting people.

VI. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE
A. August 28, 2012, 9:00 a.m. – Regular Board Meeting
Ms. Maria Quartero will be confirming attendance with the Trustees for the August 28, 2012 Board meeting.

An Administrative Committee meeting will also be scheduled.
Mr. Jack Katahira, retiree and member of the public, stated that the EUTF should have taken a more pro-active and active role in preparing members with the transition of the prescription drug plans.

VII. EXECUTIVE SESSION
MOTION was made for the Board to move into Executive Session at 4:11 p.m. for the reasons stated on the agenda. (Krieg/Mossman) The motion passed unanimously. (Employer Trustees-3(Employee-Beneficiary Trustees-3)

Executive Session adjourned at 4:49 p.m.

Chairperson Hirata reported that the Board has taken the following actions in Executive Session.

1. The minutes on agenda in Executive Session has been deferred.
2. Approval of RFP for Insurance Broker Services.

VIII. ADJOURNMENT
There being no objections, the meeting adjourned at 4:50 p.m.

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on August 28, 2012.

Documents Distributed:
1. Draft Board Minutes of 3/13/12. (11 pages)
2. Draft Board Minutes of 3/29/12. (4 pages)
3. Memorandum to BOT from Administrator Regarding EUTF Administrator’s Reported dated 7/31/12. (2 pages)
4. Act 304, Act 038, Act 036, and HCR No. 32, H.D.1
5. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 8/12. (2 pages)
7. Memorandum to BOT from IS Analyst Regarding June/July IT Operations Report dated 7/24/12. (9 pages)
8. Memorandum to BOT from IS Analyst Regarding June IT Operations Report dated
6/5/12. (1 page)
9. Memorandum to BOT from IS Analyst Regarding May IT Operations Report dated 5/1/12. (2 pages)
10. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report for 8/2/12 dated 7/26/12. (2 pages)
12. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report – May 2012 dated 5/2/12. (2 pages)
13. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for 5/31/12 dated 7/17/12. (2 pages)
14. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 11 Months Ended 5/31/12 (Unaudited) dated 7/17/11. (2 pages)
15. EUTF Statement of Cash Flows 11 Months Ended 5/31/12 (Unaudited) dated 7/16/12. (1 page)
17. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/12 (Unaudited) dated 6/4/12. (2 pages)
18. EUTF Statement of Cash Flows 10 Months Ended 4/30/12 (Unaudited) dated 6/1/12. (1 page)
22. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2012 (Unaudited) for 2/29/12 dated 3/31/12. (2 pages)
23. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 8 Months Ended 3/30/12 (Unaudited) dated 3/30/12. (2 pages)
24. EUTF Statement of Cash Flows 8 Months Ended 2/29/12 (Unaudited) dated 5/1/12. (1 page)
25. EUTF Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 11 Months as of 5/31/12 dated 7/19/12. (9 pages)
26. EUTF Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 10 Months as of 4/30/12 dated 6/5/12. (7 pages)
27. Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 9 Months as of 3/31/12 dated 4/27/12. (7 pages)
28. Experience Accounting of Self-Funded Plans for FYE 6/30/2012 for 8 Months as of 2/29/12 dated 3/31/12. (7 pages)
30. EUTF Annual Plan Experience Report Calendar YTD through May 2012 by Segal dated
8/2/12. (66 pages)
31. Segal Capital Checkup Regarding “Proposed Rule on the Affordable Care Act’s Comparative Effectiveness Research Fees” dated 4/25/12. (3 pages)
32. Segal Capital Checkup Regarding “2013 Minimum and Maximums for Health Savings Accounts and High-Deductible Health Plans” dated May 2012. (2 pages)
33. Segal Public Sector Letter Regarding Benefits, Compensation and HR Consulting dated July 2012. (4 pages)
34. Segal Survey Regarding “2011 Study of State Employee Health Benefits dated Spring 2012. (6 pages)
35. Memorandum to BOT Regarding Early Retirees Reinsurance Program Summary (ERRP) dated 7/30/12. (8 pages)